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DEPARTMENT OF BUSINESS AND ECONOMICS

# THE ATLANTA ECONOMIC REVIEW

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## This Month's Authors

### ROBERT K. BROWN

In his article on "The Public Housing Program in the United States," Dr. Brown gives the legislative background of public housing, its humanitarian as well as its economic aspects; summarizes the major prevailing criticisms of the program; discusses its present uncertainty; and presents changes that have been suggested by housing experts for its improvement.

Dr. Brown is Associate Professor of Real Estate, School of Business Administration of Georgia State College of Business Administration.

### MICHAEL H. MESCON

Dr. Mescon points out the need for "human relations" problems in management to be given the same type of objective research that generally is connected with physical problems. He emphasizes the importance of a professional approach through the application of traditionally accepted methods of scientific inquiry, and stresses the idea that human relations is a social science, like psychology or sociology.

Dr. Mescon until recently was Associate Professor of Management in the School of Business Administration of Georgia State College of Business Administration. He is presently associated with Rich's, Inc., a large Atlanta department store.

### REUBEN E. SLESINGER

Dr. Slesinger, Professor of Economics at the University of Pittsburgh, discusses some of the factors contributing to economic growth, and the nature and causes of inflation. He analyzes the problems that accompany a growing economy, maintaining that growth and a high level of employment and of living are not incompatible objectives. The author emphasizes particularly the need for cooperation on the part of labor, management, consumers, and Government.

### WARREN A. WALKER

The Southeastern Corner this month is devoted to two rather complex indicators of economic growth: state revenues and state expenses. Using these indices, Mr. Walker compares states in the Southeast with each other for 1958 and their growth over a ten-year period. His findings show that generally state expenses exceed state revenues, with demands for public services increasing much more rapidly than tax revenues.

# *The Public Housing Program In The United States Its Development And Results\**

by

**Robert K. Brown**

## **Introduction**

The characteristic pattern of human progress takes place by trial and error with actual advance seeming to occur when basic faults are discovered in some existing social, economic, or political mechanism and attempts are made to improve it by modification or substitution. As a case in point, progress in the solution of the problem of providing adequate sanitary housing for the low-income group has been retarded by the clouds of controversy which have characterized the public housing program's evolution to date. The battle between the extensionists and the extinctionists has not left much room for objective analysis. However, the past two years have witnessed a noticeable shift in sentiment with more objective analysis of possible alternative measures being undertaken. This factor, more than any other, seems to hold some promise of success in the search for a solution to the problem of adequate housing for the low-income group.

The purpose of this paper is twofold. First, the author has attempted to isolate the primary motivational stimuli underlying program inception and continuation and to relate them to the social, economic, and political climates existing at various stages in the development of the public housing program. Primary emphasis has been placed on philosophical and operational problems which have arisen. Second, the author has sought to indicate the trend of current thinking and to relate suggested changes to existing program deficiencies, the hypothesis being that drastic reforms of some type are necessary if this country is ever to achieve the noble goal of a decent home for every American family.

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\*Dr. Brown's article is taken from his unpublished dissertation,  
*Public Housing Legislation—An Interpretation*, material copyrighted 1958.

## **Legislative Background**

### *The National Industrial Recovery Act*

Public housing, as it is known today, is of relatively recent origin, for it was not until the passage of the National Industrial Recovery Act in June of 1933 that provision was made for the entry of the Federal government into the low-rent housing field. Title II of this act provided for the creation of a Federal Emergency Administration of Public Works and directed its administrator to prepare a comprehensive program of public works which was to include, among other things, the "construction, reconstruction, alteration, or repair under public regulation or control of low-cost housing and slum clearance projects." Accordingly, a Housing Division was created within the Public Works Administration, with the responsibility of inaugurating as rapidly as possible this aspect of the over-all recovery program. Specifically, the Housing Division was authorized to institute work relief activities designed to produce, in addition to employment opportunities, low-rent housing projects to accommodate families of low income.

Despite the apparent altruism contained in the creation of this Federally-supported low-rent housing program, it is now apparent that the Federal government would not have entered the low-rent housing field when it did were it not for the desire to stimulate employment in the housing industry through a program of public works. The problem of inadequate sanitary housing for low-income families was far from new, although the depression had aggravated it. The reasons prompting the creation of the Housing Division were not so important, however, to low-rent housing enthusiasts as the plain, simple fact that the program did exist. After many years of fruitless endeavor to obtain Federal government support of such a program had gone by, the depression prompted the birth of a means whereby theory could be put into application. Once the opportunity to achieve lasting reform had been presented, it did not seem conceivable that public housing proponents would relinquish it by merely participating in the relatively unplanned spending of Federal monies; and, as the low-rent housing program developed into a recognizable form in the years 1933-1936, it became increasingly evident that a longer-range goal of permanent Government participation was in fact being substituted for spending as the primary purpose of Housing Division officials. Furthered by prevailing economic conditions which seemed to dictate the continuance of Government support, the problem of housing for the low-income group began to receive considerable attention on a national scale.

### *The United States Housing Act of 1937*

The culmination of this trend toward Federal participation in low-rent housing programs was reached in the enactment of the United States Housing Act of 1937, Public Law 412, and the resultant

creation of a semipermanent Federal public housing agency, the United States Housing Authority. This act envisioned the creation of a relatively permanent Government activity by the transformation of an emergency function into a program of quasi-permanent policy. However, the emergency-relief aspects of its depression predecessor still attached themselves to the program, for it was intended primarily as a continuation of the administration's employment stimulation policies. A corollary function was, once again, the extension of public aid through the clearing of slums and the construction of decent, sanitary dwellings to the nation's economically handicapped families.<sup>1</sup> There was, however, a noticeable change in the relative importance attached to the economic and humanitarian aspects of the program. The humanitarian purpose had increased in importance to the place where, in 1937, it occupied a plane of equal emphasis with the program's anticipated economic benefits.

By the summer of 1939, the United States Housing Authority had committed all of its authorized funds to various local housing authorities participating in the low-rent housing program. Both its original authorization of \$500,000,000 and the subsequent authorization in 1938 of \$300,000,000 had been earmarked or actually expended.<sup>2</sup> Accordingly, representatives of the United States Housing Authority appeared before the committees of the legislative branches requesting an additional appropriation of funds.

The Senate reacted favorably to the functioning of the program, for it approved the requested authorization. However, the House Committee on Banking and Currency did not report the bill favorably to the House of Representatives. Its reluctance to approve the proposed amendments was based on two main considerations. First, there was the question of the total amount of the obligation the Federal government would be assuming. Second, there was serious doubt as to whether the 76th Congress had the right to bind future Congresses to the payment of these obligations, since the payment of annual subsidies<sup>3</sup> was construed as a continuing obligation of the Federal government. This point was of fundamental importance since it was a further indication of the reluctance of the House of Representatives to guarantee, in effect, the continued flow of Federal funds into the low-rent housing program. It was, therefore, a reflection of House opposition to the concept of permanent Government participation in such a program.

1. Projects were to be locally-owned and regulated by local housing authorities created by permission of appropriate state enabling acts. Therefore, the local authorities were to be the original recipients and disbursers of the aid received.

2. The USHA was to be given a "trial run" for a period of three years, at the end of which its performance record was to be subject to Congressional review. The legislators provided expressly that no expenditures were to be made beyond the limits of the initial authorizations without the express consent of Congress.

3. The primary method of administering aid to low-income families was to be in the form of annual contributions made by the Federal government to help maintain low rentals in the projects. Local communities were required to contribute also in the form of tax exemption for low-rent projects.

In addition, the prospects for complete economic recovery had increased considerably since the previous year when Congress had granted the United States Housing Authority an additional \$300,000,000 authorization. The prevailing philosophy seemed to be that the program had fulfilled its purpose. The permanent aspects of the program, beyond the completion of projects already authorized, seemed to have diminished as economic activity and prospects for prosperity had increased.

The hopes and efforts of those most interested in the perpetuation of Government financial aid to a low-rent, public housing program appeared to be frustrated. However, catastrophe and misfortune appeared once again to take the program by the hand and reactivate it as an important Government activity. The emphasis of the program was changed, however, to accommodate the housing emergency which came with World War II.

#### Public Law 671

By the end of the 1930's it had become evident to the leaders of the United States that there was a very real possibility that their country would be drawn into a second world war and that a critical shortage of housing existed in many prime defense production areas. A means was needed to provide the necessary housing in the shortest possible time, and the most logical course was to utilize existing channels to their fullest capacity. Accordingly, Congress passed legislation in the summer of 1940 permitting the United States Housing Authority to use its remaining authorization of funds to construct projects for defense workers.<sup>4</sup> Further, Congress authorized priorities in the deliveries of materials necessary for such construction as was undertaken by the United States Housing Authority for the provision of dwellings for defense workers.

For the low-rent housing program this Congressional order was in the nature of a last minute reprieve. Congress' failure to grant an additional fund authorization during 1939 had seemed a definite indication of reluctance to consider the program as a permanent Government activity. It might be assumed that the public housing program would have ceased to exist insofar as future authorizations were concerned had it not been for the advent of the war and the creation, or re-creation, of an economic need for the services of the United States Housing Authority and its low-rent housing program. True, the low-rent housing program was required to surrender the basic principle of low rentals and low-income tenants, but that must have seemed a small

4. Public Law 671, 76th Congress, June 28, 1940. Under the terms of this legislation, the housing constructed was to be of a permanent type, for most of the units subsequently occupied were already in advanced planning stages or under actual construction by local authorities. Provision was made in the law whereby the housing units constructed under Public Law 671 would revert to the local housing authorities at the termination of the war emergency. Management of the "671 projects" was entrusted to the local housing authorities, which were charged with the responsibility of letting space at fair market rentals which prevailed in the local community for private housing of like kind and quality. Preference for tenancy was to be given to defense workers.

price to pay in view of the guaranty of perpetuation and growth during the war period. In the interim period, between the outbreak of war and the coming of victory and peace, the addition of units and the authorization of funds could do no worse than strengthen the relative bargaining position of the low-rent housing program in the postwar period.

#### The Post-World War II Period

The seven year period 1937-1944 had wrought a social revolution in terms of what had transpired, or had not transpired, before it. In terms of time, the low-rent housing program had taken giant steps during this period.<sup>5</sup> Rather than losing significance during World War II, the program had increased considerably in physical stature, if not in social importance.<sup>6</sup>

Certainly, if any group looked to the postwar period with confidence, the public housers must have felt at last a high degree of quiet optimism. Not only had the program grown in size and importance when measured in terms of the existing physical investment, but also there was a definite and ascertained demand existing in many urban areas for an immediate expansion of the program.<sup>7</sup> Beginning in late 1945, however, and continuing through the years 1946, 1947, and 1948, Congressional public housing proponents and private pressure groups sought in vain to secure Congressional approval of additional fund authorizations for the low-rent housing program. The 1945, 1946, and 1947 housing bills incorporated the public housing provisions as one part of a recommended over-all housing program which encompassed the whole of Government housing activities, including the proposed creation of a central, peacetime Government housing agency.

Despite the strong bipartisan sponsorship of Senators Ellender, Wagner, and Taft, and repeated Senate approval, these postwar housing bills failed of enactment primarily because of Congressional reluctance to authorize expansion of the low-rent housing program. However, in 1949 a combination of circumstances<sup>8</sup> led finally to such expansion, for

5. By December 31, 1945, a total of 172,503 active dwelling units had been programmed under the United States Housing Act, including 119,965 Public Law 412 low-rent units and 52,538 units programmed under the Defense Amendment, Public Law 671. National Housing Agency, *Fourth Annual Report, 1945* (Washington: U. S. Government Printing Office, 1945), pp. 126, 128.

6. In answer to requests made by the Federal Public Housing Authority, 336 urban areas requested the construction of 360,000 new units with total estimated development costs of \$1,905,634,504. *Ibid.*, p. 239.

7. The National Housing Agency had been created by Executive Order of the President 9070, February 25, 1942, as coordinating agency for all wartime Government housing activities. One of its constituent agencies, the Federal Public Housing Authority, replaced and assumed the functions of the USHA. Subsequently, the FPHA was replaced in 1947 by the present agency, the Public Housing Administration.

8. Chief among these was the desire of some Congressional members, particularly in the House, to secure additional fund authorizations for the Federal Housing Administration program. This could be achieved only by the enactment of the whole housing program. In addition, a temporary change in House rules allowed the proponents of the bill to call it to the House floor despite Rules Committee opposition. Third, opposition to the creation of a central Government housing agency, which contributed to the defeat of prior postwar housing bills, had been nullified by the creation on July 27, 1947, of the Housing and Home Finance Agency. Fourth, the stature of President Truman had been enhanced considerably by his election victory, and this contributed, hypothetically, to the enactment of Public Law 171.

the Housing Act of 1949, Public Law 171, authorized the addition of 810,000 units of new public housing space over a six-year period.

Public Law 171 was essentially an extension by amendment of the low-rent housing program initiated in 1937. Few changes were made in the operating framework of the program. Therefore, the 1949 authorizations might have appeared at the time as a stamp of Congressional approval, a mandate for Government participation on a permanent basis. However, the circumstances which influenced program expansion seemed to belie such an assumption. A further indication of Government attitude toward program growth became evident during 1950 and continued to grow in intensity in the ensuing years, 1951-1957.

Operations of the Public Housing Administration were disrupted during 1950 by the outbreak of the Korean War and the subsequent issuance of a Presidential directive on July 18, 1950, which resisted the commencement of construction of the new units by Public Law 171.<sup>9</sup> Following this action, the addition of these units was curtailed repeatedly by the refusal of Congress to re-endorse full-scale program expansion.<sup>10</sup> As of December 31, 1957, the Public Housing Administration still had not constructed all of the units authorized in 1949.

It seems evident, therefore, that the public housing program has never been given a popular mandate by Congress at any time during the program's existence. Postwar Congressional debates illustrate graphically the trend toward an ever-increasing reluctance to endorse additional loan and annual contributions fund authorizations for public housing. The controversy continues to grow as the public housing program is being beset by perhaps its greatest potential adversary—rising incomes.<sup>11</sup>

#### Objections to the Program

Created during the greatest economic calamity ever to befall this nation, public housing's initial purpose was to meet an emergency need. In succeeding years the existence of other emergency situations seemed to dictate program continuation, for

available evidence indicates that program expansions were not effected primarily because of social motivations, but by the desire to achieve other economic goals. During the post-World War II era a substantial number of members of Congress strongly resisted the postwar expansion of the program and, although new authorizations were finally obtained, the presence of strong anti-public-housing sentiment continued to find expression in Congress. The primary criticism seemed to be that the program was not suited to the existing economic climate. At least a portion of this sentiment must have emanated from the inalterable fact that the program's purposes and functions could not be re-evaluated to existing economic and social conditions because no clearcut definition of purpose had ever been made and applied. This condition was due primarily to the circumstances which had prompted the creation and expansion of the program. If it had been intended primarily as a means of social improvement, some consistency of operation could have been achieved. Instead, because of its sporadic expansions and contractions and its utilization as a special-use function of Government, the program has failed to achieve much success in its social objectives.

In addition to this basic criticism, the public housing program has engendered substantial opposition for other reasons. A partial listing of these factors would include the following:

1. In many instances, the isolation of the projects and the grouping of the low-income group into relatively high density populations of similar social and economic level has resulted in the creation of social and economic "ghettos."
2. The high cost of close-in urban land has necessitated project locations in outlying residential areas. Such projects have little appeal for prospective low-income tenants while, at the same time, they tend to lower the value of surrounding privately-owned residences.
3. In certain cases, local housing authorities were permitting families having incomes which exceeded the maximum income limits to live in the projects, despite the fact that eligible families were being denied admittance because of full occupancy.
4. Despite the addition of approximately 500,000 units of public housing space to the nation's housing inventory during the twenty-five year period of program existence, the number of eligible low-income families continues to swell, indicating, almost incontrovertibly, the inability of the program ever to provide the needed amount of low-rent housing.

#### Present Uncertainty

The subject of public housing has been an extremely volatile issue and it remains so today, but a change is apparent in the attitudes of "public housers," private real estate groups, and other interested parties. Opposition to the existing public housing system seems to be emerging from its prior

9. The directive, issued according to sec. 305, sub-sec.(a) of the Housing Act of 1949, limited the commencement of construction of new units to 30,000 for the first six months of fiscal 1951. Further, the directive stated that an appraisal of the program would be made in the light of the then existing international situation. On the assumption that this study was made, subsequent limitations on program expansion implied that Government support of low-rent public housing was not considered an essential economic activity.

10. Limitations were effected or continued in force by the Independent Office Appropriations Acts of 1951, 1952, and 1953. In addition, the Housing Acts of 1954 and 1955, although permitting the addition of new units, restricted program expansion by authorizing units significantly below the amounts desired by the Public Housing Administration. Whenever Congress did retreat from this position, such as in the Housing Act of 1956, it did so in order to continue Government aid to "private-use" housing programs, such as the F.H.A., not because of any marked change in its social sentiment toward the public housing program.

11. Project tenants are governed by income-rent ratios. Rising incomes tend to create vacancies in projects if they are not altered to take this factor into account. However, some authorities foresee the time when this trend toward a general rising income level will negate the necessity for public housing aid. Others believe that there will be, inevitably, some families requiring aid. In any event, rigidity in rent-income ratios will present acute problems for the administrators of the public housing program as long as prosperity and inflation continue to push incomes upward.

sporadic, often undefined, state. Discussions concerning the existing system of low-rent subsidy and its capabilities, both existing and potential, as related to the problems requiring solution, are beginning to be conducted on a more rational, realistic basis. The net result appears to be a solidification of opposition to the program—based more on objective analysis than on subjective emotional reasoning. Granted, opposing views still exist, but the barriers to intelligent discussion have been lowered by the recognition of the enormity of the housing problems confronting the nation, as indeed they confront all nations. Accurately described by many experts as the nation's number one domestic issue, the housing problem is at last receiving the concentrated and cooperative attention it has needed for so long.

In effect, the long-range planning required in urban preservation and renewal has necessitated the examination of every facet of national and municipal housing policy, since the over-all revitalization of urban areas demands the institution and sustained pursual of a coordinated housing program. Certainly one of the chief components of such an approach would seem to be a public policy program designed to aid needy, low-income families residing in slum areas. Thus far, the public housing program has fallen far short of providing the financially feasible approach necessary to provide housing for the low-income group. Serious doubt has been raised in the minds of both public housing proponents and opponents as to the program's ability ever to provide an adequate amount of low-rent housing.

The emergence of this questioning attitude is especially significant since some of the suggestions for change have come from persons closely allied with the public housing program. Catherine Bauer, former director of research and information for the United States Housing Authority and a recognized authority on the subject of low-rent housing, has analyzed the existing situation as follows:

Public housing has not followed the normal pattern for reform movements in modern democratic countries. Every social experiment starts off as an abstract idea . . . after it has been tried out for a while, one of two things usually happens. Either it dies off, an acknowledged failure, or it "takes" and is accepted as an integral part of the ordinary scheme of things. . . . But public housing, after more than two decades, still drags along in a kind of limbo, continuously controversial, not dead but never more than half alive. . . . If the dreary deadlock is to be broken, it is first necessary to figure out what really ails the program.<sup>12</sup>

Miss Bauer's desire to discover and correct possible program deficiencies is representative of the recent ground swell of informed opinion emanating from many housing experts. There seems to be unanimity of opinion that something different must

12. Catherine Bauer, "The Dreary Deadlock of Public Housing," *Architectural Forum*, June, 1957, p. 140.

be done if a realistic approach to the solution of the low-rent housing problem is to be realized. Already various alternative proposals have emanated from such investigations, as housing experts in all fields are attempting to find a workable solution to the apparent paradox of public housing.

#### Suggestions for Drastic Changes

*Architectural Forum* magazine presented in June 1957 a compendium of the opinions of eleven housing experts on the subject of how to break the "dreary deadlock" of public housing. Despite the variances in their professional backgrounds and the resultant differences of viewpoint, these thinkers were "remarkably consistent in their conclusions . . . that need for drastic change is already clear."<sup>13</sup> Though general in content, the concern expressed and the alternative solutions offered resulted in fairly well-defined conclusions. Briefly, they are as follows:

(a) In order to overcome one of the apparent deficiencies of the present manner of subsidy, it was suggested that project tenants should not be evicted if their incomes rise above the maximum allowable limits. Rather, they should be encouraged to stay, either by allowing the purchase of their unit on a cooperative basis or by the payment of an economic rental.

(b) The suggestion was made that the availability of units meeting minimum health and structural standards could be broadened considerably by opening the subsidy plan to private builders and allowing all types of dwellers, new or old, to participate.

(c) A change in the basic form of subsidy was recommended, in effect shifting the subsidy from housing projects to individual families.

(d) In order to achieve a much greater diffusion of low-income families throughout a community rather than a solidification of them in project areas, the suggestion was made to discontinue the erection of projects altogether.

(e) Since much of the criticism of the existing program seems to stem from its lack of adaptability and flexibility, it was suggested that the manner of subsidy be determined on a purely local-level basis rather than by set Government procedures. In addition, the suggestion was made that the system of local housing authorities, required by the existing legislation, be abolished and replaced by other existing municipal agencies that would be responsible to elected officials.

(f) On the national level, it was recommended that the Public Housing Administration be abolished. Instead of operating as a separate administrative program, it would be combined with the Federal Housing Administration, the desired goal

13. The eleven experts are: James W. Rouse, Ellen Lurie, William L. C. Wheaton, Charles Abrams, Henry Churchill, Stanley Tankel, Dorothy Montgomery, Elizabeth Wood, Vernon Demars, Lee F. Johnson, and Carl Feiss.

being the establishment of an agency with the ability and authority to institute and regulate a coordinated program.

#### Indications for the Future

Unquestionably, these suggested changes reflect dissatisfaction with many of the apparent existing deficiencies of the public housing program, for they all are aimed at corrections of one type or another. Most are recommendations for drastic change; but, regardless of the severity of the indictment, their significance is manifested chiefly in the fact that objective analysis is actually occurring.

The difficulty of predicting the future of low-rent housing as a public policy program is evident, but there are two factors which seem to indicate the general course it must take. First, a great many persons connected with urban land problems acknowledge that there will be, inevitably, a strata of low-income families requiring housing assistance and that this aid must be furnished by some public policy program if urban renewal is to be used effectively in urban rejuvenation.

Second, it seems evident that such a low-rent housing program should be capable of being combined with other programs concerned with urban renewal problems since "the urban renewal concept was a recognition of the tight inter-relationship between zoning, planning, public housing, redevelopment,

and rehabilitation."<sup>14</sup> Mr. Bernard Loshbough, executive director of the Allegheny Council to Improve Our Neighborhoods (A.C.T.I.O.N. Housing, Inc.) has summarized the existing situation as follows:

Sporadic housing, redevelopment and code enforcement programs on a shot-gun basis will neither cure slums or blight or prevent their growth. . . . Urban renewal demands more than piecemeal treatment. It requires community understanding and acceptance—acceptance by local leaders in business, industry, government, labor, religious and civic affairs, in trade and finance. . . . We must . . . recognize that a supply of adequate housing is essential not only to the social structure of the community, but also to its continued industrial stability and future expansion.<sup>15</sup>

Fortunately, the public housing program is not a new venture. Operating statistics and related information are readily available for analysis. It seems imperative that society re-evaluate its efforts, on the basis of success to date, if a realistic and consistent approach is to be made toward slum eradication, consistent with the capabilities of a community's resources.

14. James W. Rouse, "The Highways and Urban Growth," *The New Highways: Challenge to the Metropolitan Region* (Washington: Urban Land Institute, November, 1957), p. 25.

15. Bernard Loshbough, "Urban Renewal is a New Focus for Old Functions," an address presented at the 1957 Annual Meeting, Pennsylvania Planning Association, November 15, 1957.

## SUBSTANDARD HOUSING IN THE CHICAGO AREA\*

by

Morton Bodfish  
William K. Wittausch

#### Rental Units in Older Areas Account for Bulk of Substandard Housing

In these blighted neighborhoods substandard housing is made up predominantly of rental units; home ownership here averages less than 8 percent. Vacancies, on the other hand, are high (over 5 per cent or more than twice the vacancy ratio for the city as a whole) which confirms that families do not live in substandard housing by choice. The buildings are also antiquated in these areas, with almost 90 per cent of them over forty years old. The real clue to housing quality, however, is the monthly rent. It can vary considerably, as our chart shows.

The most interesting fact brought out here is that for the city as a whole, substandard housing is by no means confined to the lowest rental brackets. Half the units, to be sure, rent for less than \$60

per month, but the other half rent for over \$60 and as much as \$80 and up to \$100 and more. Since these higher monthly rents are enough to command housing which qualifies as standard (illustrated by the dotted portion of the bars) it follows that to eliminate substandard housing in these higher brackets becomes primarily a matter of enforcing the housing code.

#### Code Enforcement And a Free Market Can Raise Standards

Most of Chicago's worst slums would disappear if owners of substandard properties were required to either bring them up to an acceptable standard, or to vacate them. Such vigorous measures might, of course, complicate the city's job of relocating displaced families, but there is no reason why in a free and competitive housing market any family able to pay an economic rent should not find a decent home to live in.

\*Excerpts taken from an article of this title appearing in *Savings and Homeownership*, February, 1959, published by the First Federal Savings and Loan Association of Chicago.

Ability to pay an economic rent depends in part on what housing costs and in part on what families can afford. Specifically, it boils down to finding a way of closing the \$28 gap between the average housing budget of families living in \$55 sub-standard housing and the \$83 that standard dwellings rent for. The likelihood that in a rapidly growing area like Chicago the supply of housing can be increased fast enough to out-pace demand and thereby cause housing prices to fall, is remote. On the other hand, the possibility that housing budgets of even the lowest income families will be raised to afford them homes that meet quality standards is good. These last few years it proved to be the only practical way of bridging at least part of the economic rent gap.

#### Present Cost to Taxpayers

Taxpayers now support some one hundred thousand Chicago area families at a cost of over \$100 million per year. Only a few of them live in the city's 26,000 public housing units, while most public housing occupants are not welfare clients. The question arises, therefore, as to whether it is desirable for the community to tax itself to house a few selected families in new public housing instead of many more in adequate, but used, private housing. New public housing in Chicago costs an average of \$17,000 per family unit. Tenants pay roughly one third of what these units would rent for in the private market; the other two thirds represents the taxpayers' cost of rehousing families in new housing, or roughly \$100 per family per month. When, instead of paying for new units, public funds are used to supplement the Welfare Department's maximum rental allowance of \$45 to \$105 per family in

used housing, several times as many families are rehoused for the same amount of money.

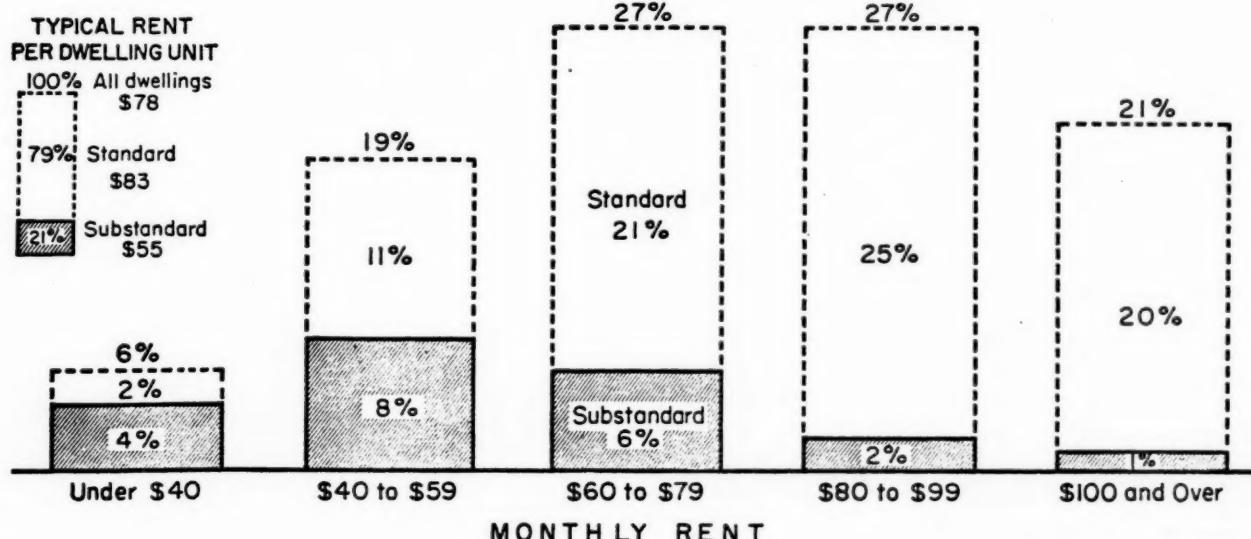
#### Welfare Payments for Rent Raise Housing Standards Faster Than Public Housing

Not only are welfare payments spent on private housing less costly to the taxpayer than public housing, but they represent an as yet unused weapon to bring substandard properties up to standard. If, for example, it were made mandatory that family housing support be allowed only for housing that meets minimum standards, landlords of rundown properties would be forced to do something to keep at least those tenants who are welfare clients.

Should owners need a property improvement loan to finance the necessary modernization work, the average rental allowance more than covers the monthly payment on such a loan. Requiring that public assistance funds be first applied toward the cost of rehabilitating existing properties, would do more to raise housing standards in Chicago than can ever be accomplished by all the new public housing projects presently completed or proposed.

If housing welfare dollars were subject to these conditions they would help city officials enforce the new Chicago housing code. They would provide a realistic basis for moving needy families into decent used housing so that vacated substandard units could be demolished or rehabilitated. What is even more important, however, families receiving public assistance would be rehoused throughout the city in average-type, privately-owned, existing buildings instead of in a few, big, new, government-owned apartment projects—an advantage of anonymous rental allowance over institutionalized public housing not to be underestimated in terms of human values.

### RENTAL DISTRIBUTION OF CHICAGO'S SUBSTANDARD HOUSING IN 1957



# *Human Relations In Industry*

*The need for industry-sponsored research*

*The professional vs. the "medicine man" approach*

by

**Michael H. Mescon**

There appears today a significant gap between the social scientist and the businessman. Both must share the onus of guilt. Too often the businessman does not understand the value of research and investigation. In a similar manner, the social scientist is often prone to give the businessman what he thinks the businessman wants to hear. Nothing is solved. The gap widens. Human relations problems necessitate the same type of objective research philosophy that is generally connected with the "non-human" problems of management. The Lithonia Lighting Products Company of Lithonia, Georgia, is an example of a company that fully recognized the need for this type of research.<sup>1</sup> Lithonia Lighting was also sensitive to what human relations is, and perhaps more important, to what it is not. In this regard, it is certainly becoming more and more difficult to eliminate the topic of human relations from the myriad of management development programs designed to enhance the manipulative ability of its participants. Human relations, instead of developing into a meaningful social science with a "personality" of its own, has come to be viewed by many so-called human relations practitioners as a tool of management. Unfortunately, many of these practitioners are *a priori* specialists who rely upon casual observation, intuition, and what they call "common sense" as a three-pronged attack to conflict situations. The spurious yet logical-sounding pattern of their attack makes sense to those among us who are more interested in treating symptoms than discerning causes.

Human relations, if it is to gain academic stature, must separate itself from that school of thought which purports that it (i.e., human relations) is

1. A description of the project undertaken by Lithonia Lighting and the problems brought to light by a mass depth-interviewing program appeared in the March 1959 issue of *The Atlanta Economic Review*, p. 3.

simply a vehicle for learning how to get along with others, how to be a better salesman, public speaker, or life of the party. Human relations must not be considered as a composit of do-it-yourself techniques designed to establish rapport between you and your fellow man. The very existence of so-called human relations specialists with a "let me save your organization" approach probably does as much to retard positive work relationship as does any other single factor.

Human relations is a developing academic discipline whose growth and stature can be nurtured only through the application of traditionally accepted methods of scientific inquiry. The student of human relations proves or negates hypotheses in view of objective evidence, not judgments, opinions, or feelings. The professional in the field of human relations must take a "let the chips fall where they may" attitude toward research. There appears to be too much organization-oriented research and not enough "no strings attached" types of investigations. The professional collects data before he makes recommendations. His conclusions are based upon reality. He gives to individuals, groups, and organizations a clear and objective picture even if this is not what they want, and in many instances this is certainly not what they want.

Human relations is not for management or labor or any other segment of society. Human relations, like psychology or sociology, is a social science and must be regarded as such. Once business recognizes that there cannot be a packaged approach to the solution of its human problems, that conflict situations require investigation and careful analysis, and that there can be no universal solution—only then can the gap between the social scientist and the businessman be closed.

In contrast to the professional practitioner, the run-of-the-mill human relations expert is often held in high esteem by others because he says what others expect him to say. His line is resplendent with fallacious insights pertaining to relationships between morale and productivity, employee needs, and other areas which deserve much careful observation and study.

These medicine men of our industrial society must be recognized for what they are—supersalesmen of patent medicine formulae guaranteed to cure a potpourri of social ills. These men are not social scientists. They are frauds hiding behind a facade of learning. How can these people purport to develop leadership, for example, when social scientists still know of no valid instrument which can separate the leader from the non-leader, much less know how to make a leader out of the "average" man. Actually, many of the so-called "leadership developers" and "personality molders" are one step below the phrenologists in the understanding of the complex human organism.

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### The Role of the Social Scientist as a Business Consultant

As social scientists, we are interested in principles. We like the sound and the security of principles. We are impressed with principles. Principles tend to eliminate the need for conscious thought. Unfortunately, principles are often interpreted and applied without understanding the nature of principle development.<sup>2</sup>

In order to provide an understandable frame of reference, consider the following statements:

1. Facts can be attained only through conscious effort.
2. A fact is not an end in itself.
3. The integration of facts results in the development of theories.
4. Principles may be evolved from theories.
5. In the social sciences especially, facts tend to be ephemeral.

It would appear then that the stability of theory and principles can be no greater than that upon which this stability is based, i.e., fact.<sup>3</sup>

### Facts Can Be Attained Only Through Conscious Research Effort

There are no patent medicine formulae to conflict situations in business and industry. A business organization utilizing the services of a consultant should be as much concerned with the fact-finding methodology of the consultant as with the recommendations of this outside expert. Problem solving in the area of human relations in business and industry requires careful research. Each situation, each organization has problems which are indigenous to it. Therefore, research is always required. Principles do not necessarily transcend company or situation lines, i.e., what was good for one company may not be good for another.

### A Fact Is Not An End In Itself

Sir Henry Clay makes the comment, "Facts by themselves are dumb . . ." Out of context, presented in an isolated manner, facts tell us little. We must question not only statements of fact, but we should be equally concerned with the methodology employed in securing and discovering facts.

### The Integration of Facts Results in the Development of Theories

Recognizing the inanimate nature of facts, it is incumbent upon the social scientist as a business consultant to breathe life into the inanimate fact organism. This vitalizing process is accomplished

2. While principles are important, it should be recognized that they are not universally or eternally valid. The successful application of principles is dependent upon understanding this.

3. To a great extent, the philosophy expressed in this section of this article is based upon Sir Henry Clay's "Facts and Theory in Economics," reprinted by P. A. Samuelson in *Readings in Economics* (New York: McGraw-Hill, 1955).

through the detailed analysis, synthesis, and ultimate integration of isolated bits of knowledge. The end result of such a process is the development of a theory whose validity is inextricably bound to the integrity of the investigator.

#### **Principles May Be Evolved From Theories**

Principles provide behavioral guides in situations requiring decisions. These principles represent the completion of what might be termed the fact development cycle. More specifically, this cycle would involve the following:

1. Basic research and investigation
2. The realization of facts
3. The development of theory
4. The emergence of principles.

Once step four is effected, the cycle begins again. This would indicate that principles are neither universal nor permanent in nature. They simply represent the best we have at the *present* time. Principle application, like theory validity, depends upon the initial phase of the fact development cycle. The application of principles, then, tends to be a situationally-determined phenomenon.

#### **The Ephemeral Nature of Facts**

In all sciences, but most especially in the social sciences, facts tend to be ephemeral. In other words, since facts are not ends in themselves and are not everlastingly true, research is always necessary if more meaningful theories and principles are to be developed. A recognition of this by business and industrial leaders might very well revolutionize the role of the social scientist as a business consultant.

#### **Management's Research Role**

In previous sections of this article, the importance of research was discussed and the role of the social scientist as a business consultant was described. What, then, should be management's research role? In order to answer this question, consider the following:

1. Basic intentions of management
2. Active participation by management in research and training
3. Consultant mobility: physically and ethically.

#### **Basic Intentions of Management**

"A business firm is an organization designed to make profits, and profits are the primary measure of its success."<sup>4</sup> Profits, then, represent to the business organization what the satisfaction of physiological needs represents to the individual—survival. When management utilizes consultants, it

can usually be assumed that it is doing so in order to operate on a more efficient basis so that company goals and objectives can be more easily attained. The use of consultants, testing, training, research, etc., should not be viewed by management as a concerted attempt to emulate the practice of status organizations. If this type of company-status anxiety provides the basis for the utilization of "outsiders," then the role of the consultant is often greatly restricted.

#### **Active Participation by Management**

Once management decides to bring consultants into a company, it should take an active role in providing the consultant with the quality of backing that only top management can give to research efforts. Such support should be sincere, positive, and spelled out if necessary to the entire organization.

#### **Consultant Mobility**

The particular point is well illustrated by the story regarding the physician who would touch up the X-rays if his patient couldn't afford the operation. Consultants should not be used to touch up X-rays. The company should not expect it, and no ethical consultant will function in this manner. If a consultant is brought in to investigate a particular problem area, the company should provide him with the attitude necessary to accomplish his research. If management is seeking realistic and objective solutions to its dilemmas, the consultant should be given enough latitude to accomplish what he has been hired to accomplish. Management should remember that, theoretically at least, the consultant is the expert. If management does not have enough confidence in the consultant to provide him with the necessary research freedom, then a competent research job cannot be expected.

#### **Final Thoughts**

The future of human relations research in industry is inextricably bound to the willingness of both management and the consulting human relationist to recognize fully the importance of their respective roles. Both the social scientist and businessman should realize that the complex of conflict in business and industry requires careful study and analysis. Understanding this, the human relationist can provide the businessman with those kinds of data which can provide for competent and responsible decisions. In the area of human relations research there cannot be an Alexander the Great to sever the Gordian knot of individual and group frictions. Only objective, unbiased, and unbridled research can undo these dilemmas.

<sup>4</sup> Joel Dean, *Managerial Economics* (Englewood Cliffs, N. J.: Prentice-Hall, 1958), p. 3.

*Are the advantages of national economic growth dissipated by the adverse effects of inflation? Are full employment, price stability, and economic growth consistent objectives?*

The author submits that:

*"There is no necessary reason to believe that economic growth, fuller and optimum employment, and advancing levels of living are incompatible. True, prices may advance in this process, but so long as the mass of income recipients are better off . . . the nation has made economic progress in a free and unregulated manner . . . "*

# *ECONOMIC GROWTH FULL EMPLOYMENT PRICE STABILITY and INFLATION*

by  
**Reuben E. Slesinger**

Is it possible to enjoy all the fruits of economic growth and development and attain the levels of full employment without a portion of the advantages being dissipated through inflationary price rises?

This question is of major concern to many economists today. Though economic growth has long been recognized as a basic characteristic not only of the American economy, but of all dynamic economies, along with it have appeared a number of other phenomena—increased population, production, and money supply; advancing levels of living and insatiable and varying consumer demands; and rising levels and instability in economic activity.

Before it is possible to analyze the various problems accompanying economic growth, it is necessary to clarify a few fundamentals, such as what are the signs of economic growth, what is inflation, and what is full employment? Also, there is the question of the rate of economic growth and whether the next few decades will exhibit the same growth patterns as have the past ones.

## **ECONOMIC GROWTH**

### **Forces Contributing to Economic Growth**

The forces that are responsible for bringing about economic growth are not identified readily. One thing is certain, however. There is no monistic explanation; the various sectors of the economy are mutually interdependent. It is impossible to single out one factor such as consumer spending, business investment, or government spending and attribute the rate of growth to this element alone. Further, at different periods the relative influence of each component may vary considerably. Prudent investment decisions, for example, should be made only after a careful consideration of government spending plans and consumer buying intentions. But these intentions will reflect individual expectations of the future which, in turn, reflect entrepreneurial investment decisions. And so the web of

economic interrelationships is woven.

A serious change in any of the above-mentioned sectors may generate significant forces that impinge upon growth. For example, much of the rise in activity in 1956 and 1957 has been attributed directly to the increases in business spending. But was this increase the result of a rapid rise in consumer outlays in 1955? Most analysts account for most of the decline of 1958 in terms of a serious drop in business investment outlays, yet consumer expenditures were reaching a new peak. Growth, thus, is not smooth; it is not an automatic process that can be ordered; it is a complicated phenomenon that is a function of numerous factors without exact mathematical assignment of specific weight to any one of them, at least not for all sorts of conditions or for all times.

### Trends in Economic Growth

To begin with, the writer assumes that the rates of economic growth to be experienced by the United States in the next decade or two will not differ materially from the past record, after unusual situations occasioned by "hot" wars are accounted for.

#### Population Increases

The fundamental force in this direction stems from the belief that population will continue to increase at a rate of better than three million a year. Although the next few years should witness a drag in some areas because of the low birth rate of the 1930's reflecting itself, there will be a tremendous spurt growing out of the high birth rates of the 1940's and 1950's that will begin to manifest itself in family formations during the 1960's. The demand pressures will be great for all types of consumer goods—notably food, education, housing, clothing, and services. Here, then, is a basic built-in force that must be reckoned with seriously when the question of demand pressures on prices is considered.

#### Government Spending

Another type of demand pressure will continue to emanate from governmental outlays, and particularly Federal government expenditures for defense. There is little likelihood that the world economic and political picture will alter much in the near future, and so it can be expected that this demand pressure from defense spending will continue to exist. At the present time, approximately 80 per cent of all Federal government outlays are for wars, their aftermath, and their potentialities. So long as fifty billion dollars or more are expended in such a manner, there is another basic demand pressure point on prices.

#### Increases in Consumer Spending

In the private sector of the economy, there are

forces that loom as growth factors. Consumer outlays, which buoyed up much of business in the decline of late 1957 and 1958 and which reached new high peaks in 1958, should continue to increase. Consumer disposable income has more than doubled since 1939 and should continue on its advance. Here, again, is another force picking up momentum by way of introducing demand pressures on prices as growth continues.

#### Increase in Gross National Product

All indications continue to point to a substantial increase in the gross national product within the next five years, to a level of as much as \$700 billion by 1965. All components of GNP (gross national product) have shared in its past growth, a rate of about 50 per cent in constant dollars in each ten years since 1930.

#### Gross National Product: An Index of Growth

Although some of the economic forces leading to growth have been indicated, it is not always easy to measure accurately when an economy is growing. Probably the most common measure is the gross national product—the market value of all the goods and services produced by a nation within a given time period.

*Measure in constant dollars.* If GNP is to be used on an intertemporal basis to measure economic growth, it is important that the influence of price changes be eliminated, or that the data be presented on a constant dollar base. For example, if the GNP of the last few years were to be quoted in 1954 prices instead of current dollars, the results would be as shown in Table 1.

TABLE 1  
CHANGE IN GROSS NATIONAL PRODUCT 1954-1958  
(IN CURRENT AND CONSTANT DOLLARS)

Year	GNP in Current Billions of Dollars	% Change From Preceding Year	GNP in Constant Billions of 1954 Dollars	% Change From Preceding Year
1954	363.1		363.1	
1955	397.5	9.5	392.7	9.5
1956	419.2	5.5	402.2	2.5
1957	440.3	5.0	407.0	1.2
1958 (Estimate)	436.7	20.8	394.3	3.1
Change 1954-1958		20.0		8.6

When GNP is adjusted for price level changes, the apparent gain of 20 per cent between 1954 and 1958 is washed down to 8.6 per cent in terms of real gain. This reduces the current dollar annual rate of gain from 5 per cent to not quite 2.2 per cent. If 1955 is used as the base, the real gain since then becomes less than one half of a per cent for the interval, in contrast to a current dollar gain of

about 9.8 per cent. It is just this problem that is of prime concern today. *Can there be a real gain in GNP as total production increases, or must this be dissipated in price inflation?* Thus, from 1955 to the present time almost 95 per cent of the apparent gain in GNP has been lost by way of price advances. The repercussions stemming from price changes of this type will be commented upon later.

*Account for population increases.* Although the real GNP does give some indication of the dollar value and size of total production, thereby making per year comparisons possible, alone it does not measure whether this is the reflection of an increasing population (merely more workers producing more goods) or of a more productive utilization of existing resources. Thus, the GNP becomes more significant when it takes into account population changes and is quoted in terms of real per capita product.

*Account for tax increases.* Further, the individual finds that as his economy grows and becomes more dynamic, usually there is a greater pressure for more public services, which means more support for the government by way of increased taxes.

#### *Real Per Capita Disposable Income—The Determining Factor*

A convenient measure of real disposable personal income per capita is available to determine what an individual has left after paying his taxes and taking into account price advances.

The record for the United States reveals that since 1880 real national product has been increasing at a rate of about three per cent a year compounded, meaning a doubling about every twenty years, or a total gain in real GNP of about 13 times since that date. But, since population also has increased since 1880 — about trebled — the real per capita GNP has increased only about four times during the last almost 80 years. Further, taxes also have advanced during the period. After taking these into account, *in constant dollars the real per capita disposable personal income becomes about three times as great today as it was in 1880.* This is the measure of the real gain to the nation from economic growth.

It must be added that the average figures should not be taken to mean that these rates of growth have been present for each of the 80 years. In fact, some years have shown negative results and others much more positive ones. There are many ups and dips in the course of national economic growth, but the above data are presented to indicate a trend. The gains from this growth have manifested themselves in many ways, such as more work being performed per hour, less hours of work exerted by each worker, greater productivity of resources, and more leisure available for employees.

Now that it has been set forth clearly that the American economy will be a growing one, dynamic, and not completely matured, certain basic problems

arise as the objectives of economic growth are set forth, and certain areas of possible conflict appear.

### **INFLATION AND ECONOMIC GROWTH**

Primary concern develops around price movements and whether these are such that they become inflationary drains on the economy. Since inflation continues to be one of the major economic problems, it is well to examine its nature and causation.

Here, immediately, reasoning is not always clear, and is less often consistent. The mere characterization of inflation as a rise in prices not only is inadequate but is so simple that it is misleading. This is so, since a rising price is a symptom; and it may be a symptom of a number of phenomena, one of which, to be sure, may be inflation. What is important is to seek out the cause of a rise in prices rather than merely to describe every such advance as inflation.

#### *Supply and Demand Forces*

Elementary economics teaches that prices may advance as a result of pressures of demand and/or supply. Increased purchasing power chasing a limited quantity of goods will create price pressures, as will increased costs affecting entrepreneurial supply decisions. The former pressure on price today is described as a *demand pull*, the latter as a *cost push*. During the period associated with World War II and its aftermath, most prices advanced because of demand pull reasons; for the last few years, with few commodity scarcities still in existence, the cost push explanation has been more appropriate.

#### *Effects of Inflation on Fixed Income Groups*

In the welter of confusion over inflation per se, much of the significance of advancing prices as a welfare matter has clouded the true nature of inflation. Since changes in price levels affect different groups differently, here rests the significance of a price advance. Concern with price advances often revolves around this fact, and economic reasoning often has become fuzzy because of its welfare concern for those who suffer relatively as prices rise. Although the index of consumer prices has more than doubled since 1940, thereby reducing the value of the dollar by more than half when measured in constant 1940 dollars, most of the income recipients of today in the United States have had their incomes increased more than proportionately. But, for those with fixed incomes—pensioners, bank savers, holders of insurance annuities and government bonds, and the like—there has been a cruel tax levied through the phenomenon of price advance.

### **Price Stability**

There is no gainsaying the fact that the American economy is in a state of imbalance today, but

this has been characteristic of the economy throughout its entire history. And it is not rising prices that are the cause for the present lack of balance. Much of the blame for the present situation must be placed at the door of the tremendous disruptions caused by World War II. These years witnessed a spectacular upsurge in consumer demand; and entrepreneurs, viewing this picture, with the acceleration principle and the economics of derived demand in full operation, committed themselves for vast plans of business spending.

Those who are concerned about inflation and stability are put hard to define just what is meant by stability. Two convenient loopholes usually are available. One is the argument that price stability means stability only of the general over-all level of prices and that there may be numerous wide fluctuations of price within this over-all pattern. Competitive demand and supply conditions are accepted as possible forces to cause particular prices to show considerable instability. Some of these are advances and some are declines. But, so long as the plus and minus movements balance out, stability is supposed to result. True, this is a mathematical stability. But, what of its significance? There is none. If the welfare of particular groups is to be considered as the primary concern, then particular price advances may affect them just as seriously as a general rise, depending wholly on their pattern of consumer expenditures. Baby food prices may decline and automobile prices may rise, giving a guise of stability, but the effects on particular segments of the population are quite different. What is more important is what has been the movement of real disposable income at the same time. If the buyer of the automobile has fared as well as the price advance, he has no complaint. The inconsistency and futility of this approach to price stability is clear when it is realized that in a growing and dynamic economy numerous commodity situations are always in a state of flux and that only by chance does anybody buy the "market basket" of a consumer price index. The consumer is more concerned with the particular prices as they relate to his general ability to buy, evidenced by his disposable consumer income.

#### *Recession—a Counterbalance for Inflation?*

Some who seek to explain what is meant by price stability are willing to accept a movement upwards in price during a period of business expansion and prosperity so long as these advances are counterbalanced at a later time by a period of decline accompanying a business recession and contraction. But if price stability has anything to recommend its adoption as a national economic goal, it would be the elimination of the peaks and valleys of industrial fluctuations. To seek out actively a period of recession as a panacea for high prices is as foolish as a physician deciding to remove a patient's

brain because one day in the future he may be subject to a tumor. The history of the United States is replete with illustrations of the undesirable repercussions of recession: unemployment, heavy public welfare costs, and reduced income. This is submitted as too high a price to pay for a vague myth of stability. Furthermore, this whole approach is a completely pessimistic one and assumes that "what goes up must come down," forgetting the possibility of building intermediate platforms that can prevent the downward fall. A growing economy with demand and cost pressures may witness a long-run trend of price advances, but this alone is not inflationary. Other criteria must be introduced against which the price advance is to be measured.

#### **The Consumer Price Index: A Measure of Stability**

A diminution in the rate of increase in consumer spending in 1956 and 1957 introduced a note of caution among businessmen, who reacted by curtailing spending plans. The ramifications on the status of industry in late 1957 and 1958 are well-known by now. But it is interesting to note that consumer prices—and this is the index that most often is cited as the one to measure price stability—were virtually stable from 1953 through 1955, varying from 114.4 in 1953, to 114.8 in 1954, and 114.5 in 1955. Here, we find a situation in which consumer outlays advanced by almost 20 billion dollars in 1955, yet the index of consumer prices held almost steady. This should be evidence of the fact that there may be enough offsetting forces in the economy at any one time to present fallacious conclusions and also that a general picture of prices may be quite misleading. To show how some particular prices behaved during this period in contrast to the overall index, Table 2 is presented.

**TABLE 2**  
**COMPARISON OF CONSUMER PRICE INDEX**  
**WITH PRICES OF SELECTED GOODS AND SERVICES**  
**1953-1955**

Year	Consumer Price Index	Foods	Housing	Transportation	Medical Care
1953	114.4	112.8	117.7	129.7	121.3
1954	114.8	112.6	119.1	128.0	125.2
1955	114.5	110.9	120.0	126.4	128.0

It is clear that not only is the over-all stability a matter of chance, but that it is meaningless unless everybody consumes the same things.

#### *Price Advances in Relation to Rising Personal Incomes*

Since movements in the consumer price index are so generally accepted as the test for price stability,

it is submitted that so long as the income of consumers advances at a rate in excess of the rise in the consumer price index, there is no inflation for the consumer. True, there are price advances, but if price advances and the undesirable value judgments of inflation are to have any meaning, it should be when these are reserved for periods when consumer income lags consumer price changes. To prove the point for recent years, let us look at two indexes: one, the level of consumer prices; and, second, disposable personal income. Disposable personal income, it must be kept in mind, is the discretionary income of income-recipients. This income already has taken into consideration the tax burden of the individual and measures the amount of his income to consume or save—that is, to do with what he wishes.

Table 3 presents the movements in consumer prices, disposable personal income in current dollars, and disposable personal income in constant 1953 dollars, for the period 1953-1957. The year 1953 is used as a base since this takes the data out of the war period of 1947-49.

**TABLE 3**  
INDEX OF CONSUMER PRICES COMPARED  
WITH DISPOSABLE PERSONAL INCOME  
1953-1957

Year	Index of Consumer Prices	Disposable Personal Income (Current Dollars in Billions)	Disposable Personal Income (Index Number, 1953 = 100)	Index of Disposable Personal Income, 1953 Dollars
1953	100.0	252.5	100.0	100.0
1954	100.3	256.9	105.7	105.4
1955	100.1	274.4	109.1	108.8
1956	101.6	290.5	115.1	113.3
1957	105.1	305.1	120.6	114.7

The last column, which eliminates the influence of price advances and any tax increases, clearly depicts that personal income recipients gained some 14.7 per cent between 1953 and 1957. If there is to be any real meaning to the idea of inflation it must rest in these terms. If real disposable personal income lags behind price advances, then there would be true inflation, regardless of the cause. But, when the reverse is true, what we have is a general rise in the income of the nation and an advance in the many quantitative measures of this rise. True, certain groups may not share in this advance; but personal income is the only general measure we have of the income of people, and certainly the growth and dynamic development of an economy should not be stinted because of some groups that lag the averages. If these groups constitute a significant segment of the nation and if they create a welfare problem, this should be attacked by way of

this particular problem and not through an effort to stem the fruits of growth and development to the detriment of the vast majority.

The thesis thus is submitted that there is no necessary reason to believe that economic growth, fuller and optimum employment, and advancing levels of living are incompatible. True, prices may advance in this process, but so long as the mass of income recipients are better off after the changes have digested themselves, it is submitted that the nation has made economic progress in a free and unregulated manner, such as has been the story of the American economy since its origin.

#### FULL EMPLOYMENT AND INFLATION

The next question to be considered concerns itself with the relationship between full employment and inflation, with the idea clearly in mind of the meaning of inflation as described above. Are full employment, price stability, and economic growth consistent objectives?

#### Meaning of Full Employment

Just what constitutes full employment is not easy to answer. Organized labor spokesmen would not accept as compatible with full employment the idea that as many as five per cent (a figure frequently quoted) of the labor force may be out of work. Today, this would mean some 3½ million workers, indeed a figure that is not a cheerful one when it is remembered that unemployment does not spread itself evenly throughout the nation, but affects certain areas to a much more serious degree. Further, on a family basis, this means that somewhere near eight to ten million people are affected by the loss of income of the formerly employed individual. It would seem more in line with economic safety to cut the percentage in half and set a limit of about 2½ per cent as the maximum amount of unemployment compatible with a concept of full employment.

#### Economic Policies for Broad Public Interest

If economic goals are to be selected for a nation such as those proposed in amendments to the Employment Act of 1946, it would seem that those of maximum employment and production should stand out as the prime objectives. These objectives should not be subordinated before some statistical device that measures only crudely general movements in a multitude of related and unrelated prices. If the choice becomes one of selecting the evils of inflation in the pure sense as they affect some segments of the population or unemployment as it affects other groups, it appears that policies directed at alleviating the latter are more in the broad public interest. The alleviating of inequities for one group—the fixed-income recipients who are hurt by price advances—does not benefit the total nation, and

vice versa. But, it is unlikely that a system of perfect equity and balance ever can be achieved in a dynamic, free enterprise economy that constantly is undergoing change and growth. A fallacious assumption seems to underly much economic thinking in the last decade, that most of the advances of the period have been made on an unsound basis of price inflation. This is completely false. If it were true, the various statistical indices that have been cited would have shown prices far outrunning income. Fortunately, there has been little monetary manipulation that gives rise to an unforgivable and damaging type of inflation, but this type is being dismissed at present as not being the case at point.

#### **Higher Prices Not Inevitable with Full Employment**

There need be no reason why moving towards fuller employment must necessarily engender price increases, especially if one keeps in mind the simple relationships implied in the quantity theory of money or the equation of exchange, which tell us briefly that the general level of prices expresses the relationship between the quantity of money in use (currency and its velocity plus credit items and their velocity) and the volume of trade. Let us take the present economy as an illustration. Numerous predictions place the GNP for 1959 at between 470 and 475 billion dollars, industrial production at a level of between 150 and 152, and unemployment at between  $3\frac{1}{2}$  and 4 million. There is no question that this is a high level of production, and in fact a record amount, yet unemployment to a serious degree will still be with the economy.

As to the 1959 predictions, if the GNP could be raised to approximately 505 to 510 billion dollars and the production index to about 160, full employment would follow. There need be no reason why such attainable goals necessarily should cause any sudden increase in prices so that inflation would wipe out the gains. There are neither serious goods shortages nor different types of cost pressures that would appear at a GNP of 510 billion dollars that do not appear at 475 billions. In fact, many companies have demonstrated clearly in 1958 that they can operate at a breakeven point considerably below capacity.

#### *Increased Production Can Lower Unit Costs*

If production should increase in these instances, there could be a reason for lowering certain cost-push pressures as a more economical stage of input-output relationship appears. The quantity theory of money indicates a clear answer for this situation. If the quantity of goods available on the market is expanded as production increases, along with fuller employment, prices need not necessarily rise if the quantity of money available for transactions is kept under control. And so, if there is a

danger of inflation due to increasing employment and purchasing power, it becomes quite clear at what point close supervision is probably required. This is the monetary system, especially the influence of credit and the velocity of turnover. In 1956, for example, failure to appreciate the increase in velocity was responsible for much of the rise in prices in spite of an increasing tightening of money as such.

There are numerous approaches that the economy may use, too, to avoid any type of sudden demand or cost push pressure on prices as employment increases. Many of these are related to productivity. Dramatic gains in productivity have appeared in most of the heavy goods industries during the last decade, and these have gone far toward enabling firms to produce more at lower unit costs. There are no reasons why such continuing advances should not occur. Some illustrations include automobiles with an increase in productivity of about 20 per cent, matched almost by steel and petroleum and more than doubled in bituminous coal. Unless continued production and fuller employment in the nation follow, such advances in productivity will generate tremendous problems of unemployment that can result in excessive drains from the public by way of support of the unemployed. And so whatever gains might have inured by way of lower prices would be dissipated through an increased tax burden necessitated for the support of the unemployed.

#### **Cooperation Needed from All Sectors of the Economy**

The problem admittedly is not a simple one, and no one group in the nation is to be held responsible for its solution. Genuine cooperation by all sectors of the economy is essential—labor, management, and consumer.

Specifically, what kind of cooperation is necessary? To begin with, it is impossible to isolate any one group in the nation and assess blame for a movement in prices against this segment. Hence, since the problem is one of aggregate responsibility, it is necessary that each group recognize its role. Management must be on guard at all times not to introduce into the price system any sticky or inflexible elements that would have the effect of engendering cost-push reactions. Further, it would help were managements more aware of the true nature of the relative elasticity or inelasticity of the demands for their products, with the possibility of countering an apparent cost-push item by a vigorous policy of demand creation that could increase the elasticity of demand sufficiently enough to recommend actually a lowered price in response to increased costs, rather than the easier technique of passing on the increase via a higher price. Many firms learned, and often to their surprise during

1958, that in their operations there were many inefficiencies that had become profit drainers during the prior boom years but, under the impetus of cost reduction programs, could be eliminated. A complete reappraisal of many cost items revealed numerous wastes and inefficiencies in a number of instances. One would have been declared unrealistic, for example, had he suggested a few years back that steel mills could make profits at a 70 per cent operating ratio. Yet, many firms in this industry showed profits at ratios below this level during 1958. Much credit must be given to the dramatic improvements in managerial efficiencies.

Similarly, it is essential that *labor* accept its position of social responsibility. To seek a wage increase alone, to feel satisfied once this has been granted, and to stop at this point is to shirk the nature of public responsibility. If labor—organized or unorganized—is to contribute to the long-range welfare of society and not be accused of shortsighted policies, it is necessary that many traditional attitudes of workmen that result in increased costs be altered. This means a more ready acceptance of technological change when this offers the possibility of lowered costs and prices, less demand for featherbedding and make-work practices, a re-evaluation of seniority and layoff provisions, and a complete reappraisal of attitudes toward managements and costs in industries that are in the midst of secular declines.

As for the *government*, its basic position should be that of a neutral, not a participant nor advocate nor proponent, so long as the private forces in the economy are in operation. As indicated, the government is in an unusual position to act, on the other hand, as a counterbalancing force whenever any problems arise in the private economy. It is impossible to overlook the influence of the approximately \$100 billion of gross national product accounted for by governmental purchases of goods and services. What is important is that these activities be effected in a manner that would tend least to disrupt the working of the economy. Hence, great care is required in the exercise of fiscal and monetary policy, especially anything that relates to deficit financing. In the present economy, for example, it would be relatively easy for the Federal government to embark on an unregulated policy of guaranteeing full employment by a policy of deficit financing. But this might result in a seven to ten per cent increase in prices. Rather, it would be better were the government to direct its efforts at encouraging private sectors of the economy to utilize this employment and keep the equilibrium of the economy more stable, so that price movements would not dissipate all the advantages of full employment.

The responsibility of the *consumer* is less defined and more vague. After all, labor and management

appear as consumers—of consumption goods and investment goods. The government too is a consumer. But, in his role on the other side of the demand and supply equation, the consumer plays an important function. It is through his actions that the demand-pull type of forces leading towards inflation are generated. Fortunately, in the economy at the present time, there is little of such a possibility. But the consumer must be cautious as to his decisions relating to spending, credit, and saving. Any sudden changes in his marginal propensity to consume could set off a series of forces leading either toward fuller or lower employment. For 1959, at least if the results of the Federal Reserve Survey of Consumer Finances are indicative, there is less likelihood that consumers will reduce their average, total, or marginal propensities to consume.

Public policy demands that production and productivity keep up their rates of increase and that price policies be such that the flow of goods can be absorbed by all types of buyers. If it were not for the introduction of the monetary mechanism that clouds the real exchange process whereby goods and services are traded for goods and services, the whole problem could be viewed and analyzed with considerably more clarity. Then the true commodity situations that cause price changes could be abstracted and, following the unchangeable laws of supply and demand of economic knowledge, the pure causes of price movements could be appreciated. But, in the complex welter of a money economy such as exists today, it is necessary that money, which exists as a means and technique, not be confused with the objective.

#### Results of Economic Policy Questionnaire

As an addendum it is interesting to review a few of the results of the *Economic Policy Questionnaire* submitted to the Subcommittee on Economic Stabilization of the Joint Economic Committee of the United States Congress. The questionnaire was mailed in September, 1958, and results were received through October. About 40 per cent of those reached submitted answers (615 completed answers). Some of the tabulations significant for the foregoing discussion follow:

Sixty per cent believed it possible to achieve both relatively high employment and relatively high stability of the general price level in the short run, and 73.2 per cent thought it possible in the long run. Negative answers were 36.1 per cent for the short run and 24.6 per cent for the long run.

Between 5 and 6 per cent was the model percentage of maximum unemployment that would be accepted as still constituting a relatively high degree of employment (24.6 per cent of the answers). Between 4 and 5 per cent was the second highest classification (15.0 per cent).

Price changes between 1 and 2 per cent were accepted by the greatest single group (13.3 per cent) as constituting a change small enough to be consistent with stability.

For those who felt the two objectives of stability and full employment were incompatible, 53.5 per cent selected full employment as the priority objective.

# *The Southeastern Corner*

by  
Warren A. Walker

## **STATES' REVENUES AND EXPENSES**

A comment which was made in connection with the recent articles on indicators ran as follows: "Two of the fastest rising indicators were not mentioned at all, namely, the rise in tax collections by southeastern governmental bodies and the rate at which these same governmental bodies are going into debt." The criticism has considerable merit, and because of the complexity and importance of these two items they are worthy of separate consideration.

It should be kept in mind that while we speak of state or local governmental indebtedness this is not actually what is meant. The vast bulk of the bonds that secure these debts are not direct obligations of either the state or local governments, nor is their redemption guaranteed by these governments. What these debts do in fact represent are the obligations of various instrumentalities of these governments. The issuing bodies are commonly called authorities, or boards, or commissions. In many instances this is merely a device to circumvent provisions of many state constitutions that prohibit the states from issuing bonds in their own name.

### **States' Expenses Generally Exceed Expenditures**

During the fiscal period July 1, 1957, to June 30, 1958, only twelve states in the nation and only two in the Southeast had greater general revenues than general expenditures. The two in the Southeast were Mississippi and Tennessee, but even these two already had outstanding obligations of \$314,978,000 and \$962,763,000 respectively. In the typical southeastern state, tax receipts in the last ten years have more than doubled, but expenses have also more than doubled and are still increasing at a more rapid rate than are tax receipts.

In 1958 the seven-state area of Alabama, Florida, Georgia, Mississippi, North and South Carolina, and Tennessee collected just under two billion dollars (\$1,979,794,000) from all tax sources. Total expenses of this same seven-state area considerably exceeded three billion dollars. This difference was made up from two sources: Federal funds and the issuance of additional bonds. Typically, the state and municipal functions that receive Federal funds are the same ones that have bond issuing authority, although there are a few exceptions. Functions that are normally eligible for Federal aid are those relating to highway departments, employment security, public welfare, hospital construction and other aspects of public health, education, and the development of natural resources.



When the obligations of the governmental subdivisions are added to those of the various state authorities, the present total exceeds one billion dollars, or about \$300 per capita. Of these very large totals only about 30 per cent represents any direct obligation of a governmental body, and the bulk of this percentage is concentrated in a few metropolitan areas. It should be noted that certain of these obligations are of a self-liquidating type. The bulk of these funds has been spent on what are generally regarded as desirable improvements such as schools, highways, and health facilities.

Of the states under consideration, Alabama had the third greatest percentage increase in tax collections over the ten year period 1948-1958, with an increase of 128 per cent. In 1958 it had the second largest contribution of Federal funds, with nearly 105 million dollars. In keeping with all the southeastern states except Florida, its per capita tax collection of \$73.70 was substantially below the national average of \$88.03.

Florida had the greatest percentage increase in tax collections with an increase of 214 per cent. It should be noted in this connection that although Florida had the highest per capita collection of any of the southeastern states, it also experienced an abnormal population increase during this same ten year period. In 1958 it had the third highest contribution of Federal funds, amounting to nearly 103 million dollars. Florida, with a figure of \$103.70, is the only southeastern state having per capita collections higher than the national average.

Georgia had the highest Federal contribution of any of the southeastern states, with just under 113 million dollars. In fact, in the case of Georgia, in 1958 Federal funds accounted for virtually one fourth of the total general revenue obtained by the

**Table 1**  
**RECEIPTS FROM TAXES AND FEDERAL FUNDS,  
AND TOTAL DEBT 1958  
SEVEN SOUTHEASTERN STATES**

State	Taxes		Federal Funds		Total Debt (in millions)
	1958 (in millions)	% increase over 1948	1958 (in millions)	% of total revenues	
Alabama	\$233,028	128	\$104,787	28	\$ 605,900
Florida	436,479	214	102,712	18	1,269,076
Georgia	317,437	165	112,942	24	875,976
Mississippi	163,596	93	77,737	29	314,978
North Carolina	375,134	75	101,784	19	814,039
South Carolina	184,826	94	51,933	19	433,643
Tennessee	269,294	84	80,992	21	962,763

Source: Information obtained from Atlanta office of U. S. Dept. of Commerce.

state. Georgia had the second largest percentage increase in tax receipts over 1948, with a figure of 165 per cent. In spite of the two figures just mentioned, general expenditures exceeded general revenues. Georgia is one of the states that utilizes authority type financing. The state itself has no general obligation bonds.

Mississippi, North Carolina, South Carolina, and Tennessee had increases of tax receipts of less than 100 per cent during the 1948-1958 period. Of these states, all except North Carolina received less than 100 million dollars in Federal funds. On the other hand, an examination of the accompanying tabulations will indicate that these states followed the same general pattern as did Alabama, Florida, and Georgia: the percentage increase of the principal state services was at a far more rapid rate than was that of revenues of the state.

#### Population Migration Intensifies Problems

The situation of population migration, discussed in an earlier article, has tended to make the problems of providing public services more difficult. There are many reasons for this and we shall examine only a few due to limitations of space.

The first and most important of these problems is that an urban population not only expects but actually requires a great many services that are not expected or required by a rural population. Two of the most obvious of these services are water and sewerage. These facilities, which are provided by the property owner in the country, must be provided by the government in the city. Police and fire protection, almost nonexistent on the farm, become mandatory in the city.

To complicate this aspect of the problem even further, there is often the tendency for migrants into the city to be at the lower end of the income scale, which means that the tax revenues they provide are inadequate to pay for the cost of the services they require. Furthermore, when people move to other locations, they leave unused, or only partially used, public facilities in other parts of the state—such as schools, health facilities, and secondary roads that were constructed at state expense or with state assistance to serve a certain density of population. The population density then declines, and these public facilities have what in industry would be termed excess capacity.

**Table 2**  
**EXPENDITURES FOR EDUCATION, HIGHWAYS, WELFARE, AND HEALTH 1958  
SEVEN SOUTHEASTERN STATES**

State	Education		Highways		Welfare		Health	
	Proportion of gross revenue	Increase over 1948						
Alabama	%	%	%	%	%	%	%	%
Florida	36	174	26	162	18	375	6	127
Georgia	39	292	27	201	12	100	9	311
Mississippi	39	215	24	239	17	263	7	182
North Carolina	34	172	27	73	17	279	6	151
South Carolina	44	182	26	134	9	265	7	197
Tennessee	40	175	23	93	11	93	7	176
	34	114	31	165	14	102	7	194

Source: Information obtained from Atlanta office of U. S. Dept. of Commerce.

MAY, 1959

## ATLANTA AREA ECONOMIC INDICATORS

ITEM	May 1959	April 1959	% Change	May 1958	% Change	% Change Five Months '59 over Five Months '58
<b>EMPLOYMENT</b>						
Job Insurance (Unemployment)						
Payments -----	\$ 361,788	416,897	-13.2	982,557	-63.2	-43.4
Job Insurance Claimants† -----	7,858	6,436	+22.1	12,684	-38.0	-39.2*
Total Non-Ag. Employment -----	351,550	349,700r	+ 0.5	328,700r	+ 7.0	+ 3.4*
Manufacturing Employment -----	85,900	85,200r	+ 0.8	71,800r	+19.6	+ 4.6*
Average Weekly Earnings, Factory Workers -----	\$80.60	\$81.20r	- 0.7	\$68.92r	+16.9	+11.2*
Average Weekly Hours, Factory Workers -----	40.1	40.6	- 1.2	38.5r	+ 4.2	+ 4.0*
Index of Help Wanted Ads (Seasonally Adjusted, 1947-49 Avg.=100) -----	176.7	166.2	+ 6.3	105.8	+67.0	+49.9
<b>CONSTRUCTION</b>						
Number of Building Permits§ -----	792	796	- 0.5	713	+11.1	+ 5.8
Value of Building Permits§ -----	\$9,169,884	\$7,287,245	+25.8	\$12,886,350	-28.8	+ 9.8
Employees -----	23,800	23,500r	+ 1.3	20,650r	+15.3	+25.7*
<b>FINANCIAL</b>						
Bank Debits (Millions) -----	\$1,927.8	\$1,988.3	- 3.0	\$1,599.7	+20.5	+18.7
Bank Deposits (Millions) (Last Wednesday) -----	1,223.4	1,237.5	- 1.1	\$1,136.9	+ 7.6	+ 7.6**
<b>OTHER</b>						
Department Store Sales Index (Adjusted 1947-49=100) -----	161	169	- 4.7	154	+ 4.5	+ 5.0¶
Retail Food Price Index (1947-49=100) -----	115.6	115.7	- 0.1	119.5	- 3.3	- 3.3**
Number Telephones in Service ---	334,049	333,270	+ 0.2	312,914	+ 6.8	+ 6.8**

r-Revised

§City of Atlanta only.

N. A.—Not Available

\*Average month

\*\*End of period

¶—Based on retail dollar amounts

▲Data from members of the Federal Reserve System only.

\*New series. Covers unemployed federal employees and unemployed veterans in addition to those covered by Georgia law. Claimants include both the unemployed and those with job attachments, but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.

## ATLANTA BUSINESS ACTIVITY

Atlanta business continued to be very good in May. Nonagricultural employment again moved upward reaching a record high for the month. Manufacturing employment rose almost one per cent. But despite the fact that it has increased each month this year, total employment in manufacturing is still about 5,000 workers below the highs reached during the peak months of 1955 and '56. Most of the increase in manufacturing employment has occurred in durable goods industries, although employment in nondurable goods industries has also risen slightly since the first of the year. Increases in employment also have occurred during the past twelve months in all other major industry segments. While the largest gain was made by the manufacturing segment, which showed an increase of 14,100 since last May—largely because a strike reduced employment in May 1958—substantial gains were recorded for other industries. Contract construction, for instance, increased 3,150 workers; government, 1,750; trade, 1,400; services, 900. Smaller gains were registered by other industries.

Atlanta unemployment declined to 12,700 in May. This number constituted just 3.1 per cent of the labor force. In May 1958, 22,050 workers, or 5.5 per cent of the labor force, were unemployed in the city. The Georgia State Employment Service reports that the reduction was due to employment gains particularly in construction, manufacturing, and trade.

A rise of 50 per cent in the index of the **number of help wanted ads** is indicative of a very strong demand for labor in the Atlanta area. This index proved to be very sensitive at both turning points in the late recession, turning down sharply after January 1957 and rebounding just as sharply after April 1958. At present the series, which is adjusted for seasonal variation, has reached a point just below the 180.5 peak of November 1956 and shows no sign at this time of weakening.

With very little recession hurt from which to recover, the **construction** industry moved ahead rapidly during the first six months of 1959. Employment in the industry has been at a record high for every month since June 1958, and activity al-

ready planned for the summer of 1959 makes it appear almost certain that by August more people will be employed in the industry in Atlanta than ever before. In May the City of Atlanta issued 792 building permits with a total valuation of \$9,169,884, and in June the city issued 987 permits with a total valuation of \$9,639,240. Valuation of permits thus is running 17 per cent ahead of the same period of 1958, which was a record year.

Activity in retail trade has been at a very high level all of this year. At the end of May, the Federal Reserve Bank of Atlanta reported that for the first five months of the year sales were running five per cent ahead of the same period last year. Bank debits, which measure transactions by check, were up 18.7 per cent in the city in the five-month period ending in May 1959. Nationally, sales of electrical appliances were up better than 25 per cent, and indications are that there was at least this much improvement in Atlanta.

The economy of the State of Georgia is also experiencing renewed prosperity. The U. S. Department of Commerce reports that nearly all segments of Georgia's business economy operated at higher levels in the first quarter of 1959 than in the same period last year, with some lines establishing new records in volume of transactions:

Gains over last year were shown in such major divisions of the State's industrial structure as banking, trading, manufacturing, farming, construction, transportation, new businesses, poultry production, and use of telephones.

The report goes on to state that all of the principal areas in the state reported advances in department store trade, ranging from four per cent in Savannah to 20 per cent in Augusta. The report also contained the following statements:

Southern Bell reported 925,700 telephones in operation in homes and businesses.

There were 322,200 manufacturing employees at work turning out an estimated \$500 million worth of goods, an increase in employment of 4 per cent.

An especially bright spot was the incorporation of 944 new businesses in the State during the quarter, a 61 per cent gain over 1958.

Nearly 3 billion kilowatt hours of electric energy were produced in the state to light homes and business buildings and to turn the wheels of industry, which was a 7 per cent gain over last year.

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